Navi AMC Limited

Investment Valuation Policy and Procedures

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Background

The valuation norm, methodology and principles for valuation of investments by Mutual Funds are defined in the Eighth Schedule to the Securities and Exchange Board of India (Mutual Funds) Regulations 1996, along with circulars issued by SEBI from time to time.

Schedule Eighth of SEBI MF Regulation and various circulars issued from time to time provided detailed guidelines on valuation of traded securities, non-traded securities etc.

Securities and Exchange Board of India (SEBI) vide circular No. Cir/IMD/DF/6/2012 dated February 28, 2012 ,Gazette Notification No. LAD-NRO/GN/2012-12/38/4290 dated Feb 21, 2012 and SEBI circular no. SEBI/HO/IMD/DF4/CIR/P/2019/102 dated September 24, 2019 amended SEBI (mutual Funds) Regulations, 1996.

The emphasis of this amendment was on Principles of Fair valuation and the onus was on respective AMCs to formulate their own valuation policies & procedures providing fair treatment to all investors – past, present and future. According to SEBI, Fair Valuation would imply the following

The valuation of investments shall be based on the principles of fair valuation i.e. valuation shall be reflective of the realizable value of the securities/assets. The valuation shall be done in good faith and in true and fair manner through appropriate valuation policies and procedures.

The amendment also states that in case of any conflict between the principles of fair valuation and guidelines as per Eighth Schedule and circulars issued by SEBI, the Principles of Fair Valuation shall prevail.

Principles of Fair Valuation

As per the amended regulation, the overarching principles that shall be followed by the Asset Management Companies for valuation of its investments are:

The valuation of investments shall be based on the principles of fair valuation i.e. valuation shall be reflective of the realizable value of the securities/assets.

The valuation shall be done in good faith and in true and fair manner through appropriate valuation policies and procedures.

The policies and procedures approved by the Board of the asset management company shall identify the methodologies that will be used for valuing each type of securities/assets held by the mutual fund schemes.

Investment in new type of securities/assets by the mutual fund scheme shall be made only after establishment of the valuation methodologies for such securities with the approval of the Board of the asset management company.

The assets held by the mutual funds shall be consistently valued according to the policies and procedures.

The policies and procedures shall describe the process to deal with exceptional events where market quotations are no longer reliable for a particular security.

The asset management company shall provide for the periodic review of the valuation policies and procedures to ensure the appropriateness and accuracy of the methodologies used and its effective implementation in valuing the securities/assets.

The valuation policies and procedures shall be regularly reviewed (at least once in a Financial Year) by an independent auditor to seek to ensure their continued appropriateness.

The valuation policies and procedures approved by the Board of Asset Management Company should seek to address conflict of interest.

Disclosure of the valuation policy and procedures approved by the Board of the asset management company shall be made in the Statement of Additional Information (SAI), AMC/ MF website and at any other place as may be specified by SEBI.

The responsibility of true and fairness of valuation and correct NAV shall be of the asset management company, irrespective of disclosure of the approved valuation policies and procedures.

Any deviation from the disclosed valuation policy and procedures may be allowed with appropriate reporting to the Board of Trustees and the Board of the asset Management Company and appropriate disclosures to investors.

In case of any conflict between the Principles of Fair Valuation as detailed above and Valuation Guidelines issued by the Board hereunder or elsewhere, the Principles of Fair Valuation detailed above shall prevail.

AMFI had issued best practice guidelines circular No. 29/2012-13 dated May 15, 2012 on Valuation Principles for valuing Debt and Money Market Instruments. The same have been considered while framing this Valuation policy.

Coverage

This Valuation Policy of the AMC covers the following:

1. Valuation methodologies for all types of securities
2. Inter-scheme transfers
3. Role of the Valuation Committee
4. Handling conflict of interest
5. Exceptional events
6. Record Keeping

1. Valuation methodologies

The methodology that will be followed for valuing different types of securities held by the schemes of NAVI Mutual Fund is given in 'Annexure A'

In case of any new security not covered by the present universe in Annexure, A, the valuation methodology for the same will be laid down with the approval of the board of the AMC.

2. Inter-scheme transfers

All the Inter-scheme transfers shall be done in line with regulatory requirements and as per current internal policy viz. at prevailing market price.

Annexure A describes the methodology that is followed in arriving at the fair valuation of securities which are intended to be transferred from one scheme to another.

3. Valuation Committee

1. Valuation committee comprises of the following personnel:

a. Chief Executive Officer (CEO)
b. Chief Investment Officer (CIO)/ Head of Investments
c. Head - Fixed Income and in his absence, Fund Manager- Fixed Income
d. Head- Equities and in his absence, Fund Manager-Equity
e. Fund Manager - Commodity
f. Head - Operations & Customer Service
g. Head - Compliance
h. Company Secretary

The CEO can reconstitute or nominate additional members of the valuation committee.

2. Scope of the Valuation Committee:

a. Define valuation procedure and methodology for different types of securities
b. Review, approve and recommend the valuation policy/ procedures to the AMC & Trustee Board for their approval and noting.
c. Review the accuracy and appropriateness of methods used in arriving at the fair value of securities and recommend changes, if any.
d. Review and approve valuation methodologies at least annually or more frequently based on market condition
e. Review the policy and procedures on a periodic basis, at least once annually.
f. Review and approve the spread adjustment in the value of asset based on liquidity and issuer risk consideration.
g. Act as escalation body for pricing/ valuation issues, addressing areas of potential conflicts of interest
h. Lay down procedures to prevent incorrect valuation.
i. Recommend valuation method during exceptional events.
j. Recommend valuation methodology for a new type of security.
k. Report to the AMC / Trustee Board regarding any deviations or incorrect valuations and disclosures to the investors.

4. Handling conflict of Interest

The valuation committee shall be responsible for ongoing review of areas of conflict and should recommend to the AMC Board the procedures to mitigate it and therein recommend changes, if any, in policy/methodology. The same shall be ratified with the Board of the AMC and Trustee.

5. Exceptional Events

Following are the some of the events that can broadly be classified as exceptional events:

a. Major policy announcements by the Reserve Bank of India, Central Bank, the Government or any Regulatory body (SEBI/IRDA/PFRDA).
b. Natural disasters or public disturbances that force the markets to close unexpectedly.
c. Absence of trading in a specific security or similar securities
d. Significant volatility in the capital markets
e. Severe liquidity issue in the market
f. Any other events where realizable value may be substantially different from benchmark based prices obtained.

Any change/modification to the above list of exceptional events shall be updated from time to time. The Valuation Committee shall be responsible for monitoring exceptional events and recommending appropriate valuation methods under the circumstances.

Further, the Valuation Committee shall seek the guidance of the AMC board in deciding the appropriate methodology for valuation of affected securities.

6. Deviation

Deviation in the valuation policy and procedures shall be allowed only with the prior approval of the Valuation Committee followed by reporting to the Board of the AMC and Trustee. Deviations from the valuation policy and principles, if any, will be communicated to the unit holders' through suitable disclosures on the fund website.

7. Record keeping

This policy document will be updated in SID / SAI, AMC website and other documents as prescribed by the SEBI regulations and guidelines.
All the documents which form the basis of valuation including inter-scheme transfers (the approval notes & supporting documents) shall be maintained in electronic form or physical papers.
Above valuation records shall be maintained and preserved for a period of 8 years and in accordance with the norms prescribed by the SEBI from time to time..

8. Review

The policy shall be reviewed by the Board of Directors of Navi AMC Limited and Navi Trustee Limited annually on or need basis whichever is earlier.

9. Disclosure

In order to ensure transparency of valuation norms adopted by the AMC, the valuation policy and procedures shall be disclosed in the Statement of Additional Information (SAI), on the website, viz. www.navimutualfund.com and at any other place as may be specified by SEBI.

Annexure A

Following are the broad valuation methodology for each type of securities.

1. EQUITY AND RELATED SECURITIES

<table>
<tr><th colspan="2">Equity Shares, Preference Share, Equity Warrants, InvIT's / ReIT's</th></tr>
<tr><td>Traded</td><td>At the last quoted closing price on the Bombay Stock Exchange (BSE)/ National Stock Exchange (NSE) or other stock exchange, where such security is listed. NSE will be the primary stock exchange. If not traded on the primary stock exchange, the closing price on the other stock exchange will be considered.
For valuation of securities held by Exchange Traded Funds (ETFs) and Index funds which are benchmarked to indices relating to a particular stock exchange, the primary stock exchange will be that exchange, e.g.for a Nifty Index Fund, the primary stock exchange will be NSE, for a Sensex Index Fund, the primary stock exchange will be the BSE.</td></tr>
<tr><td>Non Traded</td><td>APPLICATION MONEY FOR PRIMARY MARKET ISSUE

i) Application money should be valued at cost up to 60 days from the closure of the issue. If the security is not allotted within 60 days from the closure of the issue, application money is to be valued as per the directives of valuation committee. Rationale of valuing such application money should also be recorded.

ii) Equity securities allotted and proposed to be listed, but not listed, are to be valued at cost till two months from the date of allotment and after two months, are to be valued as unlisted securities. Method of valuing unlisted equity is stated below.

VALUATION OF NON TRADED / THINLY TRADED SECURITIES

When a security is not traded on any stock exchange, on the date of valuation, then the previous closing price on NSE / any other Stock Exchange will be used, provided such closing price is not earlier than a period of 30 calendar days.

If the equity securities are not traded on any stock exchange for a period of thirty days prior to the valuation date, the scrip must be treated as `non-traded' scrip.

Thinly traded equity/ equity related security is defined in SEBI (Mutual Fund) Regulations as follows:

When trading in an equity/equity related security (such as convertible debentures, equity warrants, etc.) in a month is both less than Rs. 5 lacs and the total volume is less than 50,000 shares, it shall be considered as thinly traded security and valued accordingly.</td></tr>
</table>

	In line with these guidelines issued by SEBI, **non-traded / thinly traded** securities should be valued as follows: Net worth per share is computed as follows:
	i) Net worth of the company = Paid up share capital + Reserves (other than Revaluation reserve) - Miscellaneous expenditure & debit balance in Profit and Loss account Net worth per share = (Net worth of the company / Number of paid up shares). Computation of capitalized value of earning per share (EPS): i) Determination of the Industry Price Earning Ratio (P/E) to which the company belongs. ● Classification of industries provided by AMFI should be adopted. ● Presently Industry P/E Ratio used is provided by NSE on a monthly basis. However, the P/E ratio data if not available from BSE/NSE, P/E provided by the Capital Market, Prowess (CMIE), Reuters etc. should be taken. ii) Compute EPS from the latest audited annual accounts. In case the EPS is negative, EPS value shall be considered as zero iii) Compute capitalized value of EPS at 75% discount(P/E*0.25) * EPS Computation of fair value per share to be considered for valuation at 10 % discount for illiquidity. [(Net worth per share + Capitalized value of EPS) / 2] * 0.90 In case the latest balance sheet i.e. balance sheet prepared within nine months from the close of the accounting year of the company, is not available (unless the accounting year is changed) the shares should be valued as zero. In case the EPS is negative, EPS value for that year shall be taken as zero for arriving at capitalized earning. (f) In case where the latest balance sheet of the company is not available within nine months from the close of the year, unless the accounting year is changed, the shares of such companies shall be valued at zero. In case an individual non traded / thinly traded security as valued aforesaid, accounts for more than 5% of the total asset of the scheme, AMC should appoint an independent valuer. The security shall be valued on the basis of the valuation report of the valuer. To determine if a security accounts for more than 5% of the total assets of the scheme, it should be valued by the procedure above and the proportion which it

bears to the total net assets of the scheme to which it belongs would be compared on the date of valuation.

VALUATION OF UNLISTED SECURITIES

SEBI Circular No. MFD/CIR/03/526/2002 dated May 9, 2002 has prescribed the method of valuation for unlisted equity securities. These guidelines are similar to the guidelines issued by SEBI for non-traded / thinly traded securities mentioned above only except the following:

Computation of Net worth per share *as lower of (a) and (b)*:

a) i) Net worth of the company = Paid up share capital + Reserves other than Revaluation reserve - Miscellaneous expenditure not written off or deferred revenue expenditure, intangible assets and accumulated losses.

ii) Net worth per share = (Net worth of the company / Number of paid up shares).

b) i) Net worth of the company = Paid up capital + Consideration on exercise of Option/Warrants received/receivable by the company + free reserves other than Revaluation reserve – Miscellaneous expenditure not written off or deferred revenue expenditure, intangible assets and accumulated losses.

Net worth per share = (Net worth of the company/{Number of paid-up shares + number of shares that would be obtained on conversion/exercise of outstanding warrants and options}).

If the net worth of the company is negative, the share should be marked down to Zero.

Computation of fair value per share to be considered for valuation at 15 % discount for illiquidity.[(Net worth per share + Capitalised value of EPS) / 2] * 0.85

In case the latest balance sheet i.e. balance sheet prepared within nine months from the close of the accounting year of the company, is not available (unless the accounting year is changed) the shares should be valued as zero.

At the discretion of the AMC and with the approval of the trustees, unlisted equity scrip may be valued at a price lower than the value derived using the aforesaid methodology.

VALUATION OF NON-TRADED WARRANTS

In respect of warrants to subscribe for shares attached to instruments, the warrants can be valued similarly to the valuation of the convertible portion of debentures, as reduced by the amount which would be payable on exercise of the warrant. If the amount payable on exercise of the warrants is higher than the value of the share, the value of the warrants should be taken as zero.

Value of Warrant = [Value of share computed as stated in the paragraph above - exercise price]

VALUATION OF PREFERENCE SHARES

Non traded preference shares should be valued in good faith depending upon the type of the preference Share and after considering illiquidity discount if any.

VALUATION OF ILLIQUID SECURITY IN EXCESS OF 15% OF TOTAL ASSETS OF THE SCHEME

As per SEBI Circular No. MFD/CIR/ 8 / 92 / 2000 dated September 18, 2000

Illiquid security means securities defined as non-traded, thinly traded and unlisted equity shares.

As per the SEBI Regulations aggregate value of Illiquid securities should not exceed 15% of the total assets of the scheme and any illiquid securities held above 15% of the total assets shall be assigned zero value

VALUATION OF CONVERTIBLE DEBENTURES

As per Eighth Schedule of SEBI (Mutual Fund) Regulations method of valuation of convertible debentures is prescribed.

Non-convertible and convertible components are valued separately.

A. The non-convertible component shall be valued on the same basis as would be applicable to a non-convertible debt instrument mentioned at clause 2 above.
B. The convertible component to be valued as follows:
   i) Ascertain
      - The number of shares to be received after conversion.
      - Whether the shares would be pari passu for dividend on conversion.
      - The rate of last declared dividend.
      - Whether the shares are presently traded or non-traded/thinly traded.
      - Market rate of shares on the date of valuation

   ii) In case the shares to be received are, on the date of valuation, are thinly traded / non-traded, these shares to be received on

	conversion are to be valued as thinly traded / non-traded shares as stated at para 1.2 above. iii) In case the shares to be received on conversion are not non-traded or thinly traded on the date of valuation and would be traded pari passu for dividend on conversion: a) Number of shares to be received on conversion, per convertible debenture, multiplied by the present market rate b) Determine the discount for non-tradability of the shares on the date of valuation. (This discount should be determined in advance and to be used uniformly for all the convertible securities. Rate of discount should be documented and approved by the Board of AMC) Value = (a)*market rate [1-(b)] iv) In case the shares to be received on conversion are not non-traded or thinly traded on the date of valuation but would not be traded pari passu for dividend on conversion: a) Number of shares to be received on conversion, per convertible debenture, multiplied by the present market rate b) Arrive at the market value of the shares on the date of valuation by reducing the amount of last paid dividend. c) Determine the discount for non-tradability of the shares on the date of valuation. (This discount should be determined in advance and to be used uniformly for all the convertible securities. Rate of discount should be documented and approved by the Board of AMC) Value = (a)*{b- [1- (c)]} v) In case of optionally convertible debentures, two values must be determined assuming both, exercising the option and not exercising the option. ● If the option rests with the issuer, the lower of the two values shall be taken as the valuation of the optionally convertible portion, and;

	• If the option rests with the investor, the higher of the two values shall be taken.
	VALUATION OF RIGHTS ENTITLEMENTS - AS PER SCHEDULE VIII OF SEBI (MUTUAL FUND) REGULATIONS When Company announces rights to the existing equity shareholders, under its Listing Agreement with Stock Exchange; it has to declare ex-right date for the purpose of trading on the Stock Exchange. Ex-right date is a date from which the underlying shares, which are traded on the Stock Exchange, will not be entitled to the rights. These rights entitlements can also be renounced in favour of a willing buyer. These renunciations are in some cases traded on the Stock Exchange. In such case these should be valued as traded equity related securities as detailed hereinabove. Till the rights are subscribed, the entitlements as per Regulations have to be valued as under: Valuation of non-traded rights entitlement is principally the difference between the right price and ex-right price. SEBI Regulations have explained this with the help of following formula: Vr= n / m x (Pex – Pof) Where Vr = Value of Rights n = Number of rights offered m = Number of original shares held Pex = Ex-right price Pof = Rights offer price
	The following issues while valuing the rights entitlements have to be addressed: **i)** In case original shares on which the right entitlement accrues are not traded on the Stock Exchange on an ex-right basis, right entitlement should be valued as zero**.** ii) When rights are not treated pari passu with the existing shares such as, restrictions with regard to dividend etc., suitable adjustment should be made by way of a discount to the value of rights at the last dividend announced rate. iii) Where right entitlements are not subscribed to but are to be renounced, and where renouncements are being traded, the right entitlements have to be valued at traded renunciation value.

	iv) Where right entitlements are not traded and it was decided not to subscribe the rights, the right entitlements have to be valued at zero. v) In case the Rights Offer Price is greater than the ex-rights price, the value of the rights share is to be taken as zero. **VALUATION OF SHARES ON DE-MERGER** On de-merger following possibilities arise which influence valuation these are: i. Both the shares are traded immediately on de-merger: In this case both the shares are valued at respective traded prices. ii. Shares of only one company continued to be traded on de-merger: Valuation price will be worked out by using cum-price, before demerger reduced for quoted price of the listed resultant company(s). iii. Both the shares are not traded on de-merger: Shares of de-merged companies are to be valued equal to the pre de merger value up to a period of 30 days from the date of de merger. The market price of the shares of the de-merged company one day prior to ex-date can be bifurcated over the de-merged shares. The market value of the shares can be bifurcated in the ratio of cost of shares. **VALUATION OF SUSPENDED SECURITY** In case trading in an equity security is suspended for trading on the stock exchange up to 30 days, then the last traded price would be considered for valuation of that security. If an equity security is suspended for trading on the stock exchange for more than 30 days, then it would be considered as non-traded and valued accordingly In case shares of both the companies are not traded for more than 30 days, these are to be valued as unlisted security.

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Non Traded	**APPLICATION MONEY FOR PRIMARY MARKET ISSUE** i) Application money should be valued at cost up to 60 days from the closure of the issue. If the security is not allotted within 60 days from the closure of the issue, application money is to be valued as per the directives of valuation committee. Rationale of valuing such application money should also be recorded. ii) InvIT / ReIT securities allotted and proposed to be listed, but not listed, are to be valued at cost till two months from the date of allotment and after two months, are to be valued as unlisted securities. Method of valuing unlisted InvIT / ReIT is stated below. **VALUATION OF NON TRADED/UNLISTED InvIT / ReIT** When a security is not traded on any stock exchange, on the date of valuation, then the previous closing price on NSE / any other Stock Exchange will be used, provided such closing price is not earlier than a period of 30 calendar days. If the InvIT / ReIT security is not traded on any stock exchange for a period of thirty days prior to the valuation date, the scrip must be treated as `non-traded' scrip. For Non-traded scrip, valuation would be as per NAV disclosed in the valuation report issued by valuer in the latest half yearly report or latest annual report For private / unlisted InvIT/ReIT, valuation would be as per NAV disclosed in the valuation report issued by valuer in the latest half yearly report or latest annual report.
Thinly Traded	Valuation will be computed in accordance with the method prescribed under SEBI (MF) Regulations. i.e. on the basis of average of book value and the price computed on the basis of the PE ratio (after appropriate discount to Industry PE), further discounted for illiquidity.) Definition of thinly traded equity/ equity related security: When trading in an equity/equity related security in a calendar month is both less than INR 5 lacs and the total volume is less than 50,000 shares, it shall be considered as a thinly traded security
Futures and Options	
Traded	On the valuation day, at the settlement price provided by the respective stock exchanges.

Non Traded	When a security is not traded on the respective stock exchange on the date of valuation, then the settlement price / any other derived price provided by the respective stock exchange.

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2. FIXED INCOME, SOVEREIGN AND RELATED SECURITIES

Money market and debt securities including bill rediscounting

For Instruments maturing within or equal to 30 days

- **Traded Instruments**

In case of multiple platforms reporting trades on the same day, the order of preference will be CCIL F-Trac/NSEOTC, NSE WDM, BSE WDM,

The traded yield / price reported on the Public Platforms will be used only if the following criterion is met:

Residual Maturity	Criteria for Trades reported on Public Platform
For Instruments maturing in 30 days	CD/CPs- At least 8 trades, aggregating to Rs. 400 crores or more. NCDs/Bonds - Atleast 8 trades aggregating to 200 crores or more

For CPs/CDs/ZCBs the weighted average yield will be considered as the traded yield. In case of forward settlement dates traded yield shall be considered for valuation. For Bonds/NCDs the weighted average price will be considered as the traded price. In case of forward settlement dates traded price shall be considered for valuation.

- **Non Traded Instruments**

Money market and debt securities including bill rediscounting
All Fixed Income and related securities which are not traded or traded but do not qualify as traded (not falling in the above criteria) will be valued as under:

Securities will be amortized from purchase price/ last traded price on straight line amortization as long as their valuation remains within ±0.025% band of the price derived from the reference price (computed based on CRISIL/ICRA matrices plus applicable spreads) for each bucket. The reference price shall be obtained from the Bond Valuer. The Valuation Committee would ensure that the difference between valuation price and reference price is within ±0.025%.

The existing methodology of using amortization will be continued till the availability of reference price from the Bond Valuer.

Note: With effect from 1st April 2020, amortization based valuation shall be dispensed with and all money market and debt securities shall be valued at average of security level prices obtained from valuation agencies.

Principles of Fair Valuation will always prevail over the above methods used for valuation of security/s.

For Instruments maturing above 30days

Money market and debt securities including bill rediscounting

All securities will be valued at the average of the scrip level prices provided by the Agency/s nominated by AMFI - currently CRISIL and ICRA.

In case of price being available from only one agency, the same will be considered for valuation.

In case of price not being available from either of the agency/s nominated by AMFI then trades available on multiple platforms on the same day will be used for valuation in the below mentioned order of preference

- FIMMDA F-Trac/NSEOTC
- NSE WDM
- BSE WDM

The traded yield / price reported on the Public Platforms will be used only if the following criterion is met:

Residual Maturity	**Criteria for Trades reported on Public Platform**
For Instruments with residual maturity of more than 30 days	CD/CPs- At least 5 trades, aggregating to Rs. 250 crores or more. NCDs/Bonds - Atleast 5 trades aggregating to 100 crores or more

For CPs/CDs/ZCBs the weighted average yield will be considered as the traded yield. In case of forward settlement dates traded yield shall be considered for valuation.

For Bonds/NCDs the weighted average price will be considered as the traded price. In case of forward settlement dates traded price shall be considered for valuation.

Where no price available for a particular security then the previous day EOD yield will be maintained for CPs/CDs/ZCBs and previous day EOD price for Bonds/NCDs.

The Valuation Committee will on a quarterly basis review the prices provided by the agency/s.

The Fund Manager can override the security prices provided by agency/s if the same is not representing the current market level for that security by valuing the security with a mark up/mark down +/- 25 bps from the day's closing SLV prices/yield irrespective of the tenor and rating.

For this purpose, a justification note will be prepared by the Fund Manager and approved by the MD & CEO or the Valuation Committee. The rationale for deviation along-with details such as information about the security (ISIN, issuer name, rating etc.), price at which the security was valued vis-a-vis the price as per the valuation agencies and the impact of such deviation on scheme NAV (in amount and percentage terms) shall be reported to the Board of AMC and Trustees.

2.1 Sovereign Securities including Government Securities, State Government Securities, Treasury Bills and Cash Management Bills

Irrespective of the residual maturity, sovereign securities would be valued at scrip-level price provided by the valuation agencies.

Principles of Fair Valuation will always prevail over the above methods used for valuation of security/s.

3. Other types of securities

Following methodology shall be adopted for valuation of other types of securities:

a. Units of Mutual Funds will be valued at the last available NAV
b. Exchange Traded Funds shall be valued at closing prices available on the stock exchanges (NSE / BSE)
c. Investments in short-term deposits with banks (pending deployment) and repurchase (repo) transactions (including tri-party repo i.e. TREPS) with tenor of upto 30 days, shall be valued on cost plus accrual basis.
d. Valuation of securities lent under Securities Lending Scheme: Securities shall be valued according to this policy, The lending fees received for the Securities lent out would be accrued in a proportionate manner till maturity of the contract.
e. Any investment in "To be Listed" Companies, for Initial 30 days valuation would be done at a purchase price or book cost. After After 30 days, security would be valued on a book value provided by the research analyst or Portfolio manager.
f. Valuation of physical gold: The gold acquired by the scheme is in the form of standard bars and its value as on a particular day is determined as under:
   a) The London Bullion Market Association's (LBMA) AM fixing price per troy ounce is increased with the Cost, Insurance, Freight premium and the LBMA fixing charges.
   b) This value arrived at in (a) above is then converted to the equivalent price for 1 kg gold of 0.995 fineness by applying the conversion factor.
   c) The Financial Benchmark India Private Ltd (FBIL) reference rate is applied to convert the price from US dollars to Indian Rupees.
   d) The Indian levies in the form of customs duty, stamp duty, octroi, as applicable are added to arrive at the final landed price of gold.

If on any day the LBMA AM fixing or FBIL reference rate is not available due to holiday, then the immediately previous day's prices are applied for the purpose of calculating the value of gold. Premium or discount shall be applied to the valuation price arrived as per above methodology to ensure it reflects the fair value. The premium / discount shall be determined at monthly or such other shorter periodic interval as may be deemed necessary. The premium / discount shall be decided by comparing the domestic price i.e. MCX spot price with the valuation price. In case MCX spot price is not available, any other appropriate source may be used as agreed upon by valuation committee to determine the domestic price

g. Valuation of Physical Silver :

The Silver held by a Scheme shall be valued at the AM fixing price of London Bullion Market Association (LBMA) in US dollars per troy ounce for Silver having a fineness of 999.0 parts per thousand, subject to the following:

(a) adjustment for conversion to metric measures as per standard conversion rates;

(b) adjustment for conversion of US dollars into Indian rupees as per the RBI reference rate declared by the Foreign Exchange Dealers Association of India (FEDAI); and

(c) addition of – (i) transportation and other charges that may be normally incurred in bringing such Silver from London to the place where it is actually stored on behalf of the Scheme; and (ii) notional customs duty and other applicable taxes and levies that may be normally incurred to bring the Silver from London to the place where it is actually stored on behalf of the Scheme: Provided that the adjustment under clause (c) above may be made on the basis of a notional premium that is usually charged for delivery of Silver to the place where it is stored on behalf of the Scheme. Provided further that where the Silver held by the Scheme has a greater fineness, the relevant LBMA prices of AM fixing shall be taken as the reference price. Premium or discount shall be applied to the valuation price arrived as per above methodology to ensure it reflects the fair value. The premium / discount shall be determined at monthly or such other shorter periodic interval as may be deemed necessary. The premium / discount shall be decided by comparing the domestic price i.e. MCX spot price with the valuation price. In case MCX spot price is not available, any other appropriate source may be used as agreed upon by valuation committee to determine the domestic price

h. Valuation of Exchange Traded Commodity Derivatives

Commodities intended to be traded : Gold/Gold Mini (Exchange: MCX/NSE/BSE), Silver (Exchange: MCX/NSE/BSE)

Valuation will be done at end of day closing /settlement price published on the MCX/NCDEX/NSE/BSE and value the commodity on the exchange on which it got transacted.

There might be variants of commodities based on the lot size which may be launched going ahead by different exchanges such as Gold, Gold Mini etc., for such cases we will be taking the closing/settlement price on which it gets transacted.

In case the ETCDs gets converted into physical commodities then upon the receipt of physical commodity at the exchange accredited warehouse in the allocated location the commodity can be valued daily.

i. Valuation of Foreign Securities & ADR/GDR:

Exchange to be considered for valuation of foreign securities and ADRs/GDRs is to be approved by the AMC Board. SEBI has not prescribed the method of valuation of foreign securities and ADR/GDR.

Process of valuation to be followed by NAVI Mutual Fund would be as follows:

a) Receiving last quoted price

If the security is listed in a time zone ahead of ours than the same day closing price on appropriate stock exchange as provided by Reuters would be used for valuation. If the security is listed in a time zone behind ours then the previous day's closing price provided by Reuters would be considered for valuation.

In case the security is not traded on the above mentioned days, price of previous day should be used provided the price is not more than 30 days old.

b) Converting the price in Indian Rupees (INR)

Since these prices are in foreign currency these are to be converted in Indian Rupees by applying the exchange rate. Bloomberg also provide closing conversion rate, which can be used for converting the foreign currency prices in INR. This closing price in INR should also be used for valuation of foreign securities and ADR/GDR.

In case Bloomberg has not provided the conversion rate, the closing price of the security should be converted to INR at RBI reference rate.

Valuation of securities with Put / Call option

The valuation of securities with Put / Call options would be in accordance with SEBI Circular No. SEBI/HO/IMD/DF4/CIR/P/2019/102 dated September 24, 2019 and SEBI/HO/IMD/DF4/P/CIR/2021/593 July 09, 2021 as amended from time to time.

Inter Scheme Policy (IST)

1) Market Price of same or similar security available on F-Trac/CBRICS at the time of IST would be considered provided the security traded is
2) in a marketable lot (which is Rs. 25 crs).
3) If market price is not available, previous day valuation price will be considered.

Criterion for determining similar securities

The determination of 'similar securities' should be arrived at by considering industry, parentage, tenor and rating of the issuer.

New IST guidelines applicable within 90 days from 24th September, 2019

1) The price at which IST of any money market or debt security (irrespective of maturity) is to be done will be taken from the valuation agencies
2) IST prices will be given by the agencies within a turn-around-time (TAT) decided
3) If prices from the valuation agencies are received within the pre-agreed TAT, an average of the prices so received will be used for IST pricing

4) If price from only one valuation agency is received within the agreed TAT, that price will be used for IST pricing
5) If prices are not received from any of the valuation agencies within the agreed TAT, the IST pricing will be based on market price of same or similar security available on F-Trac/CBRICS at the time of doing IST provided the security traded is in a marketable lot (which is Rs. 25cr)
6) If market price is not available, previous day valuation price will be considered.

Waterfall approach for valuation of money market and debt securities

SEBI vide circular no. SEBI/HO/IMD/DF4/CIR/P/2019/102 dated September 24, 2019 has laid down broad principles for considering the traded yields for valuation of Debt, money market and government securities. The said circular prescribes AMFI shall ensure valuation agencies have a documented waterfall approach for valuation of Debt & money market securities. AMFI best practices circular (135/BP/83/2019-20) dated November 18, 2019 pertaining to the waterfall mechanism is as follows:

The valuation agencies (CRISIL & ICRA) will follow a waterfall approach for the valuation of money market and debt securities as follows:

- All traded securities will be valued on the basis of traded yields, subject to identification of outlier trades.
- Volume Weighted Average Yield (VWAY) for trades in the last one hour of trading will be used as the basis for valuation of Government Securities and Treasury Bills.
- Valuation of all other money market and debt securities including Government Securities not traded in the last one hour will be done on the basis of VWAY of all trades during the day.
- In case of any exceptional event on a day, only VWAY of trades post such an event will be considered for valuation.
- All trades on stock exchanges and trades reported on trade reporting platforms till end of the trade reporting time (excluding inter-scheme transfers) will be considered for arriving at the valuation every day.
- CRISIL & ICRA will follow a polling process as part of the waterfall approach and will identify Mutual Funds who will participate in the polling process on a particular day.
- Polling process policy, approved by the Board of AMC and Trustees, will be documented detailing the governance of the polling process.

Valuation of money market and debt securities which are rated below investment grade & Default:

The valuation of money market and debt securities which are rated below investment grade would be in accordance with SEBI Circular No. SEBI/HO/IMD/DF4/CIR/P/2019/102 dated September 24, 2019 as amended from time to time.

Changes in terms of investment:

Any changes to the term of investment would follow guidelines as mentioned in SEBI Circular No. SEBI/HO/IMD/DF4/CIR/P/2019/102 dated September 24, 2019 as amended from time to time.